

**Statement of Michele Sutton  
Owner, Fairway Ventures, LLC  
Hammond, Louisiana**

**U.S. Senate Committee on Small Business and Entrepreneurship  
Hearing: “The Impact of Hurricane Katrina on Small Businesses”  
Thursday, September 22, 2005**

Good morning. My name is Michele Sutton. My husband and I own three furniture stores and one tire store on the Mississippi Gulf Coast: two in Gulfport, one in D'Iberville, and one in Pascagoula respectively. Our home office is in Hammond, Louisiana. We have owned and operated furniture stores for the last 21 years. After a brief six-month retirement, we reopened our company on the Gulf Coast in order for our sons to return home for gainful employment. We had annual revenues of \$3 million, payroll of \$958,000 and a modest profit margin after taxes of 3-5%. We had 1,500 customers. Prior to Katrina, we employed 32 people; as of today, we have 14 left. In addition, prior to Katrina, we had signed and paid franchise fees to open an additional ten stores in New Orleans, Jefferson, Baton Rouge and the Gulf Coast of Mississippi. That means an additional 100 employees would be hired in the next three years.

Katrina has put a halt to our growth strategy. We are now in the survival mode. The morning after the storm, my husband and youngest son went to Mississippi to assess our situation. What they found was heartbreaking – two of our locations were completely gone. Fifty percent of our company was gone overnight – delivery trucks, inventory and retail locations. Our other two locations sustained only minor damage ... water, glass/window, and roof – hooray! Our glass was half-full. We could re-group, rally the troops and salvage our family's livelihood. We had one small problem – no electricity, water, telecommunications or gasoline and, most of all, no employees. Not to be deterred, while I was praying for the return of utilities, my husband and sons searched – shelter by shelter – for our valued employees. We've had people with us since our inception 21 years ago. They are a part of our family. We found 20 of them – each with their own

horrific story of Katrina's fury. Ten had only the clothes on their backs left. We immediately held a company-wide meeting. We brought them hot meals, paychecks and gasoline. So, how do you motivate people to work when they have lost their homes and are being moved from shelter to shelter or, are living with relatives hours away? With hope for a future, we promised them that we would come back if we had their help.

Recovery strategies were devised. The first step was the daunting task of finding our customers and accessing the status of our products in their homes. We knew we had \$1 million in cost of goods sold in the field and an open accounts receivable of \$3 million that needed to be recovered. Our customers are blue-collar workers, casino employees, service industry people and those on fixed incomes. What we found was that 50% of our customers' homes were gone – complete neighborhoods were decimated; 30% had homes but the people had evacuated; and, 20% were home and OK. In addition, 35% of our customers were casino employees who were now unemployed.

Basically, we were able to surmise that 90% of our customer base is presently unable to continue to make payments on their accounts. The primary reasons are:

1. They no longer live in the area.
2. They no longer have the product.
3. They assumed because we no longer had a physical location, they didn't have to pay.
4. For customers who actually have the money to pay their bill, the lack of gasoline, mail service, or the inability to drive from one city to another to bring a payment makes it almost impossible.

We now believe we are like the little engine who said, "I think I can, I think I can." We too, think we can hang on long enough to rebuild and recoup some of our accounts receivable. But, in every direction we turn, reality deals us a blow.

1. We no longer have delivery trucks. We have to use part of our cash reserves to spend \$7,000 for two cubes.

2. We need two new locations that are fully operational ASAP! But, there is a lack of available retail space.
3. Availability of goods – only 50% of our vendors would work with us on payment terms. Bye-bye cash reserves again.
4. The insurance claims process is moving at a snail's pace. It was three weeks before we saw the first adjuster. A lot of good he's been. He's arguing with another adjuster in what came first – WIND OR WATER – WHO CARES? We have NO STORE! Just settle it, so we can get back to the business of being in business! I suppose this would be a good time to share – we have every type of insurance available: Disaster, Business Interruption and vehicle.
5. Two weeks ago we filled out an on-line application with FEMA and, as of today, we have had no response.
6. We're working our way through a very cumbersome SBA loan application. We're being told the application takes two weeks to complete and **three months to process** – I hope we can hang on until we get help.
7. Finally, we still have payroll, costs of goods, business loans and accounts payable with which to contend.

In addition, with the slow (or no) insurance funds available, banks are hesitant to loan money to a company that cannot clearly determine if they will make it or not. It's the chicken or the egg; which came first – Business Capital or Successful Business?

I do not believe in bringing someone else my monkey. So, I respectfully offer you these suggestions for solutions:

1. Immediate or expedited SBA loans or grants
2. Coordination between FEMA, SBA and insurance companies
3. Training grants for new employees to replace those who are not coming back
4. Short-term loans guaranteed by insurance proceeds.

Basically, every week that passes while we are waiting, we do not collect \$56,000 in revenue, and our opportunity to secure new business is lost.

Thank you, and I appreciate the time and opportunity you have given me today to share our story.